

DON'T



Here's how to find the money you need
to repay your student loan.

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You're money. So how come you're broke?

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You went to school, got a job (maybe two), but you still can't pay your bills. What's with that?

Well, chances are you make enough money to get by. Problem is, you just don't know where the money's going. You need a plan to fix that.

The kind of spending plan you need is a "budget." No, it's not sexy. But it is smart. And it's easier to put together than you might think. That's what this book is for.

Get your checkbook and any receipts you can find. Fill in the blanks on each page. When you're finished, you'll be able to figure out where all your money is going.

Best of all, you'll get a good start on getting rid of the debt that's hanging over your head like a vulture. Congrats on that. Now go get started.

Getting started.

How much do you make?

This is easy. Just add together the amount of your paychecks along with any other money you have coming in regularly. Then you'll need to make sure you're not spending more than that.

\$	_____
	Net Wages
\$	_____
	Second Net Income
\$	_____
	Other Income
\$	_____
	Total Net Income

What we're looking for

Net Wages

This is a monthly total of your paychecks after all the taxes have been withheld.

The other kinds of deductions withheld from your paycheck, like health insurance and 401K contributions, aren't taken into account here. You'll list those in the Expenses section. That's because you can control them based on choices you make.

Second Net Income

This is money from a second job, money your parents give you or your spouse or partner's income.

Other Income

Include any other money you have coming in, like child support or alimony.

Total Net Income

Add together all the above to get your Total Net Income.

When you don't make enough money to cover your expenses and put a little aside for savings, you'll have to make some adjustments. Unfortunately, it's hard to adjust your income, unless you get:

- A second (or third) job, or
- A promotion

You might be able to add in overtime, an annual bonus or a tax refund, but we'll show you how to adjust your expenses first. You can start by thinking of how you can do for yourself things you're paying others to do, like preparing your taxes, changing the oil in your car or mowing your lawn.

The one thing you really need to know about money

The more you earn, the more you spend. You get a raise, you buy a new car. It just happens.

Want to have more money? Start figuring out where the money you've got is going.

I owe, I owe...

Get a handle on your fixed expenses

Fixed expenses are those that don't change from month to month, like rent, insurance and loan payments. They're essential costs that won't go away.

Just because they're fixed, though, doesn't mean you can't adjust these expenses — finding a cheaper apartment, for instance — but we'll get into that later.

Pull out all your monthly bills and fill in the blanks. We've given you an idea of how much you should be spending on each category. If you're spending too much, look in the green boxes for ideas on how to cut those costs.

Many millionaires say they got that way by living below their means. (That doesn't have to mean living on bean burgers the next 10 years.)

Housing Expenses

Aim to spend less than 20% of your income on housing expenses. If you have trouble making a big insurance payment every six months or each year, call your insurance agent about other payment options.

\$	_____
	Mortgage/Rent
\$	_____
	Homeowner's/Renter's Insurance
\$	_____
	Total Housing Expenses

Driving Expenses

This amount should be less than 11% of your total income. Ask your auto insurance agent what payment options are available.

Don't underestimate maintenance costs. Getting oil changes and tune-ups can save you money in the long run.

\$	_____
	Car or Truck Payment
\$	_____
	Auto Insurance
\$	_____
	Gas
\$	_____
	Maintenance
\$	_____
	Total Driving Expenses

Healthcare Expenses

Try to limit your healthcare expenses to no more than 15% of your total income. This includes co-payments for prescriptions and office visits, and visits to the dentist or eye doctor. You might not have these expenses each month, but be sure to allow money for the months you will.

\$ _____
Medical/Dental Costs

\$ _____
Health Insurance

\$ _____
Total Healthcare Expenses

Loan Expenses

These include student loans and credit card payments and should not exceed 10% of your total income. If you can't make your regular payment, call your lender. Protecting your credit rating is important. A poor credit history could keep you from buying a car or getting a job (yes, it happens).

\$ _____
Student Loans

\$ _____
Credit Cards

\$ _____
Other Loans

\$ _____
Total Loan Expenses

Savings

Set aside 5 to 10% of your income for long-term goals. Those include a new car, a house, a vacation in Hawaii or even being able to retire when you're 30 and still looking good.

\$ _____
Savings Account

\$ _____
401K (employer retirement plan)

\$ _____
Total Savings Allocation

Don't be so plastic!

A credit card is just that — credit. It's not free money. It's an offer to loan you money briefly. And it isn't cheap. So:

- Plan to pay the full balance each month.
- Always pay more than the minimum payment.
- Paying just 2.5% of the balance on a card with 9% APR will take you 15 years to pay off a \$4,000 purchase.

Total Fixed Expenses

Add all the above totals together and you've got your Total Fixed Expenses.

\$ _____
Total Fixed Expenses

But, wait. There's more.

Get a handle on your variable expenses

Things change. That's what "variable" means. Your variable expenses are those that can change from month to month, like:

- Food
- Utilities
- Long-distance cellphone charges

The good news is this is where you might be able to find the money to pay for what's non-negotiable.

Some of these expenses can be adjusted or cut altogether. Fill out these charts to find out.

Food Expenses

Try not to spend more than 16% of your income on food. That includes everything from Happy Meals to ramen noodles, and soft drinks and candy from the snack machine.

\$	
	Groceries
\$	
	Restaurants
\$	
	Miscellaneous Snacks
\$	
	Total Food Expenses

Utility Expenses

These expenses can change from month to month (meaning, you'll spend more in the winter for heat or if you watch pay-per-view boxing).

\$	
	Electric/Natural Gas
\$	
	Water/Sewer
\$	
	Telephone
\$	
	Cellphone/Pager
\$	
	Garbage Collection
\$	
	Cable/Satellite TV
\$	
	Total Utility Expenses

Other Expenses

Be careful here. It's easy to underestimate how much you spend, especially on entertainment and the hair salon. Controlling these expenses can go a long way toward helping you stay within your budget.

\$ _____
Child Care

\$ _____
Entertainment

\$ _____
Personal Care
(clothes, haircuts, fake nails, etc.)

\$ _____
Total Other Expenses

Miscellaneous Expenses

There are some items you pay for that just don't fit in any of these categories. This is where to put 'em. Add in a few dollars for day-to-day expenses like the Girl Scout cookies you buy at work, charitable donations and church contributions or the walking-around money in your pocket.

\$ _____
Total Miscellaneous Expenses

Total Variable Expenses

Add up your total from all the categories. To find out what percentage of your income you're spending on each category, divide the total expense by your total income. (Finally, algebra pays off.)

\$ _____
Total Variable Expenses

Hold the phone!

You can cut your phone bill, even if your significant other is living in another state. Try these:

- Use prepaid phone cards for long-distance and cell calls
- Get rid of call waiting, caller ID, etc.
- Find a cell plan with free calls on nights and weekends
- Keep track of how many minutes you have left and don't go over

See what you're worth

Eatin' on the cheap

- Make a grocery list and stick to it
- Clip some coupons and shop the weekly sales ads
- Limit the number of meals you eat in restaurants — too many dinners out can make you fat and poor

The envelope please...

Here's the moment of truth. You're going to learn the total of your disposable income. That is, write down your total income and subtract all your expenses. The idea is not to come out with a negative number.

If the number isn't what you'd like to see, or you're spending more than you earn, don't panic. You have two choices:

- Increase your income
- Decrease your expenses

You'll find a few suggestions throughout this brochure to help you do just that. You'll also find more ideas online at websites like our own www.itsmoneybaby.com or fool.com (which is actually pretty smart).

If you still can't make it work, call us. It's in our best interest to help you find a way to pay your bills. Call the borrower advocates at KHEAA at 800.928.5327 or email default_aversion@kheaa.com.

So, what's next?

Get a handle on your disposable income

If you're one of the lucky ones who has money left over after subtracting all your expenses, congratulations. Now it's time to start thinking about your goals.

Here are a few suggestions:

- Save money for a new car
- Sock it away so you can retire early
- Pay off student loans and credit cards early

It's up to you to decide.
It's your money.

What if you don't have any left over?

If you can't find any money left over after your expenses, it's time to get creative. First, if you're in danger of missing any of your minimum payments, call your lender and try to work out a payment program. Even if you ignore your debts, they won't go away.

Next, remember when we mentioned living below your means, or the LBYM concept?

LBYM is:

- A small, counterculture trend
- The way the rich get that way, and
- Addictive, once you've tried it

You won't have to get totally cheap and brush your teeth with your index finger (gross). But finding ways to cut back is easier than you think.

If you still have questions, call us. Just by thinking about your budget, you're light years ahead of most people.

Surviving on less

We polled the audience for favorite ways to save:

- Take your lunch to work.
\$5 a day on fast food is \$25 a work week, \$100 a month.
- Consider leasing a car instead of buying. Your monthly payments are usually lower.
- Find a roommate to share the rent.
- Call your credit card company and see if they'll lower your interest rate. Tell 'em you've got a better offer from another lender.
- Buy what you want on ebay or check out the used books from online book stores.
- Better yet, go to the library. Just remember to take back your books on time.
- If you have kids, check to see if your child-care costs are tax-deductible.
- Stay out of the mall. Money just jumps out of your pocket in those places.
- Consider online banking. You can schedule payments to be made automatically each month so you can avoid late fees.

The Cheat Sheet: your weekly log

Breaking down the month into four weeks makes it easier to estimate your expenses.

Some expenses may not come up every month (like car insurance and maintenance, or doctor and dentist bills). If you pay some bills quarterly, divide them by three to get the monthly average.

Your Income - Your Expenses = Your Disposable Income

(Let's hope it's above zero. If not, you need to seriously reconsider some expenses.)

	Week 1	Week 2	Week 3	Week 4	Total
Income					
Net Wages (after tax amount)					
Second Net Income (after tax amount)					
Other Income (child support, alimony, maintenance, etc.)					
Total Net Income					\$

Fixed Expenses					
Mortgage/Rent					
Homeowner's or Renter's Insurance					
Car or Truck Payment					
Auto Insurance					
Gas					
Maintenance					
Medical/Dental					
Health Insurance					
Student Loans					

	Week 1	Week 2	Week 3	Week 4	Total
Fixed Expenses (cont.)					
Credit Cards					
Other Loans					
Savings Account					
401K (employer retirement plan)					
Total Fixed Expenses					\$

Variable Expenses					
Groceries/Snacks					
Restaurants					
Electric/Natural Gas					
Water/Sewer					
Telephone/Cellphone/Pager					
Garbage Collection					
Cable/Satellite TV					
Child Care					
Entertainment (movies, sporting events)					
Personal Care (clothing, haircuts, fake nails, etc.)					
Miscellaneous					
Total Variable Expenses					\$

Total Disposable Income*	\$
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*Add Total Fixed Expenses to Total Variable Expenses. Subtract this amount from your Total Net Income. The result is your Disposable Income.

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